

Basic Financial Statements,  
Required Supplemental Information  
and Other Supplemental Information

Gerrish-Higgins School District  
Roscommon, Michigan

*Year ended June 30, 2005*  
*with Report of Independent Auditors*

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Gerrish-Higgins School District  
Roscommon, Michigan

Basic Financial Statements,  
Required Supplemental Information  
and Other Supplemental Information

Year ended June 30, 2005

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## Report of Independent Auditors

To the Board of Education  
Gerrish-Higgins School District  
Roscommon, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gerrish-Higgins School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gerrish-Higgins School District as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2005 on our consideration of Gerrish-Higgins School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 13 and the budgetary comparison information on pages 37 through 38, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Gerrish-Higgins School District's basic financial statements. The combining and individual nonmajor fund financial statements on pages 39 through 55 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Andrews Hooper & Pavlik P.L.C.*

Bay City, Michigan  
September 2, 2005

## ***Gerrish-Higgins School District Management's Discussion and Analysis***

This section of Gerrish-Higgins School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ending June 30, 2005. This section should be read in conjunction with the District's financial statements.

### **Overview of the Financial Statements**

Governmental Accounting Standards Board Statement 34 (GASB 34) requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

#### **District Wide Financial Statements**

The Statement of Net Assets is a district wide financial statement. It includes all assets and liabilities of the District. This includes noncurrent assets and long term liabilities. The noncurrent assets include all fixed assets over the District's fixed asset threshold of \$1,000. The assets are stated at cost value and accumulated depreciation offsets the capital asset number. The long term liability includes the 2005 debt, Durant debt, unused sick time and early retirement incentives outstanding at year end.

The Statement of Activities is also a district wide financial statement. It includes all expenses and revenues of the District. The expenses are categorized by function. Any categorical funds or charges for services are allocated to the expenditure function which they relate to. For instance, any Title I funds received for instructional services were allocated to the instruction function on the Statement of Activities. Any revenue not attributable to a function is added to the net (expense) revenue subtotal. The focus of the Statement of Activities is full accrual. This includes the accrual of interest expenses.

#### **Fund Financial Statements**

The fund financial statements focus on individual parts of the District, reporting the operations in more detail than the district wide financial statements. The primary difference is that the general fixed asset group of accounts and the general long term debt are no longer reported. In addition, the fund statements are presented by major fund instead of fund type. To qualify as a major fund, the total assets, liabilities, revenues, or expenses of that individual governmental fund are at least 10% of the corresponding total of all funds of that category; and total assets, liabilities, revenues or expenses of the individual governmental fund are at least 5% of the total for all governmental funds combined. The District may report any other governmental fund as a major fund if it believes that the fund is important to the users of its financial statements.

All funds that are not reported as major are considered nonmajor funds. These funds are aggregated and presented in a single column.

***Gerrish-Higgins School District  
Management's Discussion and Analysis (continued)***

**Fund Financial Statements (continued)**

The fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual. The revenues must be measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities in the current period.

In fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. No liability is recorded for the unpaid portion of debt or compensated absences.

***Reporting of the District's Fiduciary Responsibilities***

The District has a fiduciary responsibility to its student activity and trust funds. The fiduciary activities are reported in separate statements of fiduciary net assets. The activity of the fiduciary activities is excluded from the District-wide financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

***Gerrish-Higgins School District  
Management's Discussion and Analysis (continued)***

**Financial Analysis of the District as a Whole**

The following summarizes the net assets for the fiscal years ended June 30, 2005 and 2004:

	<b>Governmental Activities June 30, 2005</b>	<b>Governmental Activities June 30, 2004</b>	<b>Percentage Increase (Decrease)</b>
Assets:			
Current assets	<b>\$ 6,019,656</b>	\$ 6,788,952	(11.3%)
Noncurrent assets, net of related depreciation	<b>11,319,141</b>	11,713,759	(3.4%)
Total assets	<b>17,338,797</b>	18,502,711	(6.3%)
Liabilities:			
Current liabilities	<b>1,962,998</b>	1,417,321	38.5%
Noncurrent liabilities	<b>5,072,388</b>	6,692,637	(24.2%)
Total liabilities	<b>7,035,386</b>	8,109,958	(13.3%)
Net Assets:			
Invested in capital assets, net of related debt	<b>6,670,343</b>	5,222,899	27.7%
Restricted for debt service	<b>93,073</b>	1,265,678	(92.6%)
Unrestricted	<b>3,539,995</b>	3,904,176	(9.3%)
Total net assets	<b><u>\$10,303,411</u></b>	<u>\$10,392,753</u>	(.9%)

The statement of net assets includes \$11,319,141 in fixed assets. This represents a 3.4% decrease from the prior year. This is due largely to accumulated depreciation. The fixed assets are classified as noncurrent assets as they are not liquid in nature. The liabilities include \$74,909 in accrued interest on long-term debt and \$5,441,747 in long-term debt and compensated absences. The total net assets at June 30, 2005 amount to \$10,303,411. However the unrestricted portion of net assets decreased approximately 9.3% from the prior year. Approximately 65% of the total net assets are invested in capital assets, net of related debt. In addition, another 0.9% is restricted for debt service. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net assets for day-to-day operations.

The \$3,539,995 in unrestricted net assets of governmental activities represents the accumulated results of past years' operations as a whole. The operating results of the General Fund will have a significant impact on the changes in unrestricted net assets from year to year.

***Gerrish-Higgins School District  
Management's Discussion and Analysis (continued)***

**Financial Analysis of the District as a Whole (continued)**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The following summarizes the statement of activities for the fiscal years ending June 30, 2005 and June 30, 2004:

	<b>Governmental Activities June 30, 2005</b>	<b>Governmental Activities June 30, 2004</b>
Functions/Programs:		
Governmental Activities:		
Instruction	\$ (7,572,831)	\$ (7,662,974)
Supporting services	(4,361,389)	(4,319,118)
Food services	(30,154)	(12,806)
Building improvement services	(25,999)	-
Athletics	(255,908)	(281,604)
Store	-	(1,015)
Community services	(78,203)	(5,406)
Interest on long-term debt	(187,586)	(343,336)
Depreciation (unallocated)	(233,696)	(232,169)
Total governmental activities	<u>(12,745,766)</u>	<u>(12,858,428)</u>
General Revenues:		
Property taxes, levied for general operations	6,263,763	5,765,071
Property taxes, levied for debt services	822,334	778,759
State of Michigan aid, unrestricted	5,317,243	6,257,751
Interest and investment earnings	142,418	80,673
Other	110,666	64,260
Total general revenues	<u>12,656,424</u>	<u>12,946,514</u>
Changes in net assets	(89,342)	88,086
Net assets – beginning of year	<u>10,392,753</u>	<u>10,304,667</u>
Net assets – ending of year	<u><u>\$10,303,411</u></u>	<u><u>\$10,392,753</u></u>

The District receives approximately 39% of its revenues from State sources. This means that the financial stability of the District relies heavily on the economic health of the State of Michigan. Any funding issues at the State level directly impact the stability of the District.



***Gerrish-Higgins School District  
Management's Discussion and Analysis (continued)***

**Financial Analysis of the District as a Whole (continued)**

In addition, 76% of our revenue for the entire District depends on student counts. Any decrease in student counts directly impacts our revenue sources. The District lost 38.98 students from its September 2003 count to its September 2004 count. Since the September 2004 count impacts 75% of the blended count used for State Aid for the fiscal year ending June 30, 2005, this caused a significant decrease in our revenue. Prior to the fiscal year ending June 30, 2005, the September count impacted 80% of the blended count. The change to an 80% September blended count resulted in an additional loss of 1.31 students.

The following is a breakdown of the sources of revenue for the District, as a whole, for the fiscal years ending June 30, 2005 and June 30, 2004:

	<b>Governmental Activities June 30, 2005</b>	<b>Governmental Activities June 30, 2004</b>
Local sources	47.7%	42.5%
Intermediate sources	.9%	.9%
State sources	39.2%	44.7%
Federal sources	11.2%	11.3%
Inter-district sources	.9%	.5%
Other revenues	.1%	.1%

As reported in the statement of activities, the cost of our governmental activities this year was \$16,028,834. Certain activities were partially funded from those who benefited from the programs through charges for services. This amounted to \$348,672 and consists of athletics receipts and revenues derived from the school meal program. Other activities were partially funded by other governments and organizations that subsidized certain programs with grants and categorical funds. This amounted to \$2,934,396 and consisted of categorical state aid and federal funds used for a specific function. The remaining expenses of \$12,745,766 were funded by property taxes, unrestricted state aid, interest income and other revenues.

The District experienced a \$89,342 decrease in net assets as a whole. For the previous fiscal year, the District experienced an \$88,086 increase in net assets as a whole. The difference is a reflection of our decreased revenue sources as a result of declining student enrollment, and an increase in payroll related costs, which was offset by increases in interest and other general revenues.

The decrease in net assets differs from the change in fund balance. A reconciliation between the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balance is included in the financial statements.

***Gerrish-Higgins School District  
Management's Discussion and Analysis (continued)***

**Financial Analysis of the District as a Whole (concluded)**

The following is a breakdown of expenditures for the District for the fiscal years ending June 30, 2005 and June 30, 2004:

	<b>Governmental Activities June 30, 2005</b>	<b>Governmental Activities June 30, 2004</b>
Instruction	<b>59.4%</b>	58.9%
Administration & business	<b>8.9%</b>	8.9%
Operation & maintenance	<b>8.8%</b>	8.6%
Pupil transportation	<b>4.1%</b>	4.2%
Other supporting services	<b>14.4%</b>	14.4%
Community education	<b>1.5%</b>	1.4%
Building improvement services	<b>.2%</b>	-
Interest on long-term debt	<b>1.2%</b>	2.1%
Depreciation (unallocated)	<b>1.5%</b>	1.5%

Approximately 59% of the expenses are instructional in nature. This includes teaching expenses such as salary, benefits and supplies. This does not include any capital outlay expenses such as computers or technology as these transactions are recorded in the Statement of Net Assets as noncurrent assets.

Approximately 36% of the expenses are related to supporting services. This includes transportation, operation and maintenance, counseling expenses, board of education expenses, administrative expenses, food service expenses, athletics and other supporting services.

The remaining 5% of the expenses consists of community services (i.e. public library), interest on long-term debt and depreciation.

***Gerrish-Higgins School District  
Management's Discussion and Analysis (continued)***

**Financial Analysis of the District's Governmental Fund Statements**

As noted earlier, the District uses funds to help control and manage money for particular purposes. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures on the modified accrual basis of accounting. Government resources are allocated to and accounted for in the individual funds based upon the purpose for which they are to be spent. For instance, the general fund is used to record the general operations of the district, pertaining to education and the supporting services that are necessary to provide educational services to the public. However, the debt service funds are used to account for money related to taxes collected specifically for paying the District's debt and interest.

In the general fund, the District experienced a \$330,556 decrease in fund balance as compared to a \$17,831 decrease in fund balance in the previous year. This is due largely to our decreased enrollment and rising employee benefit costs. In addition, the foundation allowance was not increased during the fiscal year ending June 30, 2005. Our blended student count decreased by 34.72 students. This cost the District approximately \$232,625 in revenue. Lastly, Roscommon County amended the taxable values for the Downtown Development Authority. This caused a loss of state funds in the amount of \$123,837.

Total expenditures were 2.1% less than budgeted. Total revenues were 0.8% lower than anticipated.

Our special revenue funds indicated a net increase of \$3,245. This net increase was primarily the result of the Athletic Fund. The Athletic Fund continues to rely heavily on the General Fund for salaries, benefits and major supplies. However, the Athletic Director reduced the purchase of supplies during the fiscal year to fund some major improvements to the track and the purchase of wrestling mats in future fiscal years. This resulted in excess of revenues over expenditures in the amount of \$26,885.

The Food Service Fund experienced a net loss of \$23,640 as compared to a loss of \$10,024 in the previous year. This was due largely to an increase in payroll related costs. Revenues for the Food Service Fund remained stable as compared to the previous year.

The District advance refunded the 1995 bonds in February of 2005. The outstanding bonds in the 1995 debt fund amounted to \$5,855,000 with interest rates at 4.6% to 5.25%. The bonds issued to refund the 1995 bonds amounted to \$4,695,000 at interest rates ranging from 2.5% to 5.0%. The transactions required a contribution from the debt fund of \$1,315,000. The refinancing resulted in a net present value savings of \$342,116.

***Gerrish-Higgins School District  
Management's Discussion and Analysis (continued)***

**General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenues and expenditures. Public Act 621 of 1978, Section 18(1) requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the District's original and final budgets compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes in the general fund original budget were as follows:

- Budgeted revenues were decreased by \$109,949. The majority of this was for prior year adjustments on state sources for the taxable value of the Downtown Development Authority. This decrease was offset with a higher than anticipated reimbursement from C.O.O.R. ISD for special education services.
- Budgeted expenditures and other financing uses were decreased \$316,888. This is primarily due to categorical funds which are deferred and items which were appropriated for but were never encumbered, such as teaching supplies. There were numerous changes between categories to adjust the budget to be in compliance with Bulletin 1022 with the Michigan Department of Education. In the prior fiscal year, the District converted its chart of accounts to be in compliance with the Bulletin. Some of these changes are reflected in our final budget.

Comparisons of actual amounts to the final budget for the general fund were as follows:

- Actual revenues were .8% lower than budgeted under the final budget. This was due largely to federal and categorical funds which were budgeted at 100% of the allocation amount. However, a portion of the revenue was carried over to fund summer school, which is not reflected in the fiscal year ending June 30, 2005.
- Actual expenditures were 2.1% less than budgeted under the final budget. This is due largely to the possibility of major repairs and maintenance which were budgeted for. The majority of the items budgeted for were not needed during the fiscal school year. In addition, the utilities costs for the first two quarters in 2005 were significantly higher than the previous year. As a result the line items were increased to reflect the volatility of the market. Public Act 621 of 1978 requires the budget to be amended when necessary to adjust appropriations if it appears that expenditures will be in excess of the original estimates. The budget at year end reflects all of the open encumbrances present in May.

***Gerrish-Higgins School District  
Management's Discussion and Analysis (continued)***

**Capital Assets and Debt Administration**

**Capital Assets**

Under GASB 34, the District is required to classify fixed assets over the District's threshold as noncurrent assets and record the respective depreciation on the assets. At June 30, 2005, the District had \$19,715,108 invested in a broad range of capital assets, including land, buildings, furniture and equipment. The amount represents a net increase (additions less deletions) of approximately \$72,564 from last year.

	<u>2005</u>	<u>2004</u>
Land & improvements	\$ 581,078	\$ 581,078
Buildings & improvements	14,835,212	14,817,670
Buses & other vehicles	1,296,525	1,268,673
Furniture & equipment	3,002,293	2,954,720
Work in process	-	20,403
Total capital assets	<u>19,715,108</u>	<u>19,642,544</u>
Less: accumulated depreciation	<u>8,395,967</u>	<u>7,928,785</u>
Net capital assets	<u>\$11,319,141</u>	<u>\$11,713,759</u>

The year's additions of \$162,564 included purchases of buses, technology and building improvements. No debt was issued for these additions.

**Debt Administration**

At the end of this year, the District had \$4,795,860 in bonds outstanding versus \$6,490,860 in the previous year. These bonds consist of the following:

	<u>2005</u>	<u>2004</u>
General obligation bonds	<u>\$4,795,860</u>	<u>\$6,490,860</u>

The District refinanced the 1995 bonds at lower interest rates, resulting in significant savings for the taxpayers.

***Gerrish-Higgins School District  
Management's Discussion and Analysis (continued)***

**Economic Factors and Forecasts**

Our elected officials and administration consider many factors when determining the District's 2006 fiscal year budget. One of the most important factors affecting our budget is student counts. State aid is currently calculated on a blended September and February count. The calculation uses 75% of the current year fall count and 25% of the prior year's winter count. Therefore, the majority of our revenue is dependent on the fall count. Since this factor is not known during May of 2005 when we derive the 2006 fiscal year budget, this can cause major adjustments to our financial transactions. The number of students accounts for approximately 84% of our total general fund revenue. A decrease in the fall count can have a negative impact on our total income. Our foundation allowance for the fiscal year ending June 30, 2006 is currently anticipated to be \$6,875 per pupil.

This amount will be reevaluated by the state legislature during the year. Economic conditions at the state level indicate that there may be a need to re-assess this amount. As a result, a decline in enrollment for the September 2005 count, along with a reduction in the per pupil allocation will cause a decrease in our overall revenue as compared to the fiscal year ending June 30, 2005. Preliminary counts indicate a decline in the fall count as compared to the previous year of approximately 35 students. The decrease was not anticipated in May when the Board adopted the 2006 fiscal year budget. The Finance Committee is working on amending the budget to reflect the loss of students and ways of offsetting the financial impact on the general fund. Since the budget anticipated only a \$100 per pupil increase instead of a \$175 per pupil increase, the budget amendment will need to reflect an increase for the per pupil amount.

The following is a breakdown of our headcount for the District for the past seven years:

1998-1999	1,904
1999-2000	1,963
2000-2001	1,898
2001-2002	1,836
2002-2003	1,899
2003-2004	1,841
2004-2005	1,806
2005-2006 (preliminary)	1,765

A current forecast prepared for the District indicates the District will lose an additional 33 students for the 2006/2007 fiscal year.

***Gerrish-Higgins School District  
Management's Discussion and Analysis (concluded)***

***Economic Factors and Forecast (concluded)***

We have received confirmation from the Michigan Department of Education that our federal revenue has been increased slightly for the fiscal year ending June 30, 2006. Since the funding was decreased for the fiscal year ending June 30, 2005, this adjustment will bring it to the level of funding that the District received for the fiscal year ending June 30, 2004. In addition, we have received confirmation that our At Risk, Section 31a state funding will remain stable for the fiscal year ending June 30, 2006. Since most grants are not increasing at the same level that payroll and payroll related expenditures are increasing, this will impact the operations of the District as expenditures will shift to the general operations to maintain current services.

Other factors such as a rapid increase in the cost of employee benefits are causing major constraints on our spending power. The health insurance premiums alone have increased approximately 13.7% for the fiscal year ending 2006. In addition, retirement will increase to 16.34% in October, as compared to 14.87% in the previous fiscal year.

The Michigan School Business Official organization (MSBO) recommends that a district maintain a fund balance of a minimum of 15 to 20 percent of their budget. The District has approximately 24.8% in the general fund, as compared to 25.9% in the previous year. This amount is slightly above the minimum recommended by MSBO.

We predict that fund equity will be used during the 2006 fiscal year to maintain current operations even with a reduction in staff and additional cuts in expenditures.

Labor contracts for the Steelworker's Union, Roscommon Education Association and Teamster's Union expired June 30, 2005. To date the only contract settled was the Steelworker's Union contract. The contract term is for two years with 2.5% cost of living adjustments for each year and a change from a \$2 prescription co-pay to a \$10 co-pay. The savings in the insurance premiums offset the increase in the compensation. The other two contracts are still not settled. The financial impact of the contracts on the District's financial forecast for the fiscal year ending June 30, 2006 is not known at this point.

In August, Donald Mick, Superintendent of the District since 1988, announced his retirement at the end of the 2006 school year. As a result, there will be a major change in leadership during the 2006/2007 school year. The financial and economical impact of this change has not yet been determined.

Gerrish-Higgins School District  
Roscommon, Michigan

Statement of Net Assets  
June 30, 2005

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 4,230,583
Receivables:	
Taxes and interest receivable	47
Accounts receivable	1,925
Due from other governmental units	1,731,877
Prepaid expenditures	50,946
Inventory	4,278
Total current assets	<u>6,019,656</u>
Noncurrent assets:	
Capital assets	19,715,108
Less: accumulated depreciation	<u>(8,395,967)</u>
Total noncurrent assets	<u>11,319,141</u>
Total assets	<u><u>\$17,338,797</u></u>
<b>Liabilities and net assets</b>	
Current liabilities:	
Accounts payable	\$ 109,340
Accrued salaries and benefits	661,572
Payroll withholdings	83,094
Insurance payable	226,766
Accrued interest	74,909
Deferred revenue	314,102
Due to other governmental units	123,856
Bonds payable, due within one year	327,642
Compensated absences and early retirement incentives, due within one year	<u>41,717</u>
Total current liabilities	<u>1,962,998</u>
Noncurrent liabilities:	
Bonds payable, net of acquisition costs	4,321,156
Compensated absences and early retirement incentives	<u>751,232</u>
Total noncurrent liabilities	<u>5,072,388</u>
Total liabilities	<u>7,035,386</u>
Net assets:	
Invested in capital assets, net of related debt	6,670,343
Restricted for debt service	93,073
Unrestricted	<u>3,539,995</u>
Total net assets	<u>10,303,411</u>
Total liabilities and net assets	<u><u>\$17,338,797</u></u>

*See accompanying notes.*



Gerrish-Higgins School District  
Roscommon, Michigan

Statement of Activities  
Year ended June 30, 2005

Functions/programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Change in Net Assets
Governmental activities:				
Instruction	\$ 9,501,198	-	\$ 1,928,367	\$ (7,572,831)
Supporting services	4,699,195	-	337,806	(4,361,389)
Building improvement services	25,999	-	-	(25,999)
Food services	819,089	\$ 283,720	505,215	(30,154)
Athletics	320,860	64,952	-	(255,908)
Community services	241,211	-	163,008	(78,203)
Interest on long-term debt	187,586	-	-	(187,586)
Depreciation (unallocated)	233,696	-	-	(233,696)
Total governmental activities	<u>\$ 16,028,834</u>	<u>\$ 348,672</u>	<u>\$ 2,934,396</u>	(12,745,766)
General revenues:				
Taxes				
Property taxes, levied for general operations				6,263,763
Property taxes, levied for debt service				822,334
State of Michigan aid, unrestricted				5,317,243
Interest and investment earnings				142,418
Other				110,666
Total general revenues				<u>12,656,424</u>
Change in net assets				(89,342)
Net assets:				
Beginning of year				10,392,753
End of year				<u>\$ 10,303,411</u>

See accompanying notes.

Gerrish-Higgins School District  
Roscommon, Michigan

Balance Sheet  
Governmental Funds  
June 30, 2005

	<u>General</u>	<u>2005 Debt Retirement</u>	<u>1995 Debt Retirement</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 4,028,085	\$ 93,125	-	\$ 109,373	\$ 4,230,583
Receivables:			-		
Taxes and interest receivable	47	-	-	-	47
Accounts receivable	1,925	-	-	-	1,925
Due from other governmental units	1,670,444	-	-	61,209	1,731,653
Due from internal funds	224	-	-	-	224
Due from other funds	3,573	161	-	7,033	10,767
Prepaid expenditures	12,946	-	-	38,000	50,946
Inventory	-	-	-	4,278	4,278
Total assets	<u>\$ 5,717,244</u>	<u>\$ 93,286</u>	<u>-</u>	<u>\$ 219,893</u>	<u>\$ 6,030,423</u>
<b>Liabilities and fund balances</b>					
Liabilities:					
Accounts payable	\$ 96,269	-	-	\$ 13,071	\$ 109,340
Accrued salaries and benefits	658,310	-	-	3,262	661,572
Payroll withholdings	83,094	-	-	-	83,094
Insurance payable	226,766	-	-	-	226,766
Deferred revenue	314,102	-	-	-	314,102
Due to other governmental units	123,838	-	-	-	123,838
Due to internal funds	18	-	-	-	18
Due to other funds	7,194	\$ 213	-	3,360	10,767
Total liabilities	<u>1,509,591</u>	<u>213</u>	<u>-</u>	<u>19,693</u>	<u>1,529,497</u>
Fund balances:					
Reserved for public library	579,446	-	-	-	579,446
Reserved for debt service	-	93,073	-	-	93,073
Reserved for capital projects	-	-	-	1,289	1,289
Reserved for encumbrances	7,290	-	-	-	7,290
Unreserved, food services	-	-	-	164,777	164,777
Unreserved, athletics	-	-	-	34,134	34,134
Unreserved	3,620,917	-	-	-	3,620,917
Total fund balances	<u>4,207,653</u>	<u>93,073</u>	<u>-</u>	<u>200,200</u>	<u>4,500,926</u>
Total liabilities and fund balances	<u>\$ 5,717,244</u>	<u>\$ 93,286</u>	<u>-</u>	<u>\$ 219,893</u>	<u>\$ 6,030,423</u>

Total governmental fund balances \$ 4,500,926

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and are not reported in the funds.

    The cost of the capital assets are:

\$19,715,108

    Accumulated depreciation is:

(8,395,967)

11,319,141

Long-term liabilities are not due in the current period and are not reported in the funds

    Bonds payable, net of discount

(4,648,798)

    Compensated absences and early retirement incentives

(792,949)

Accrued interest is not included as a liability in governmental funds

(74,909)

Net assets of governmental activities

\$ 10,303,411

See accompanying notes.

Gerrish-Higgins School District  
Roscommon, Michigan

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2005

	<b>General</b>	<b>2005 Debt Retirement</b>	<b>1995 Debt Retirement</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Local sources	\$ 6,410,696	-	\$ 844,997	\$ 349,172	\$ 7,604,865
Intermediate sources	147,311	-	-	-	147,311
State sources	6,182,501	-	-	71,856	6,254,357
Federal sources	1,352,665	-	-	433,359	1,786,024
Total revenues	14,093,173	-	844,997	854,387	15,792,557
<b>Expenditures</b>					
Instructional	9,030,802	-	-	-	9,030,802
Supporting services	4,708,080	-	-	1,122,053	5,830,133
Building improvement services	25,999	-	-	-	25,999
Community services	208,546	-	-	-	208,546
Debt service	-	\$1,315,000	707,723	-	2,022,723
Capital projects	-	-	-	-	-
Total expenditures	13,973,427	1,315,000	707,723	1,122,053	17,118,203
Excess (deficiency) of revenues over expenditures	119,746	(1,315,000)	137,274	(267,666)	(1,325,646)
<b>Payments to other government and not-for-profit entities</b>					
Special Education transfer - COOR	300,334	-	-	-	300,334
At Risk transfer - Roscommon Co. and Richfield Twp.	26,000	-	-	-	26,000
Total payments to other government and not-for-profit entities	326,334	-	-	-	326,334
Excess (deficiency) of revenues over expenditures	(206,588)	(1,315,000)	137,274	(267,666)	(1,651,980)

Gerrish-Higgins School District  
Roscommon, Michigan

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2005  
(continued)

	<u>General</u>	<u>2005 Debt Retirement</u>	<u>1995 Debt Retirement</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other financing sources (uses)</b>					
Proceeds of refunding bonds	-	\$4,695,000	-	-	\$ 4,695,000
Proceeds of refunding bonds - premium	-	113,726	-	-	113,726
Incoming transfer - other governmental units	\$ 146,164	-	-	-	146,164
Outgoing transfers	(270,932)	-	\$ (1,402,952)	-	(1,673,884)
Advance refunding to escrow agent	-	(4,749,203)	-	-	(4,749,203)
Bond issuance costs	-	(54,402)	-	-	(54,402)
Sale of assets	800	-	-	-	800
Operating transfers in	-	1,402,952	-	\$ 270,932	1,673,884
Total other financing sources (uses)	<u>(123,968)</u>	<u>1,408,073</u>	<u>(1,402,952)</u>	<u>270,932</u>	<u>152,085</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(330,556)	93,073	(1,265,678)	3,266	(1,499,895)
Fund balances at beginning of year	4,538,209	-	1,265,678	196,934	6,000,821
Fund balances at end of year	<u><u>\$ 4,207,653</u></u>	<u><u>\$ 93,073</u></u>	<u><u>-</u></u>	<u><u>\$ 200,200</u></u>	<u><u>\$ 4,500,926</u></u>

*See accompanying notes.*

Gerrish-Higgins School District  
Roscommon, Michigan

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year ended June 30, 2005

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$(1,499,895)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expenses	\$(557,182)	
Capital outlay	<u>162,564</u>	(394,618)

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.	(12,461)
---	----------

Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term liabilities)	1,850,000
---	-----------

Proceeds from refunding bond are recorded as other financing sources in the governmental funds, but are shown on the statement of net assets as a liability	(4,695,000)
---	-------------

Advanced refunding of debt and related activity is recorded as an other financing use in the governmental funds, but is recorded as a reduction to a liability on the statement of net assets	4,749,203
---	-----------

Bond acquisition and other costs are recorded as other financing sources/uses in the governmental funds, but combined with bonds payable on the statement of net assets	(59,324)
---	----------

Amortization of bond reacquisition costs are expensed over the life of the bonds in the statement of activity, but expensed in the year paid in the governmental funds	(2,817)
--	---------

Increases in compensated absences are reported as expenditures when financial resources are used in the governmental funds.	<u>(24,430)</u>
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<b>Net Change in Net Assets - Government-Wide Statement of Activities</b>	<b><u>\$ (89,342)</u></b>
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*See accompanying notes.*

Gerrish-Higgins School District  
Roscommon, Michigan

Trust and Agency Funds  
Statement of Fiduciary Net Assets  
June 30, 2005

	<u>Trust</u>	<u>Agency</u>	<u>2005</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,741	\$ 118,441	\$ 124,182
Administration account	-	3,250	3,250
Due from other accounts	-	18	18
Total assets	<u>\$ 5,741</u>	<u>\$ 121,709</u>	<u>\$ 127,450</u>
<b>Liabilities and net assets</b>			
Liabilities:			
Due to student groups	-	\$ 121,485	\$ 121,485
Due to other funds	-	224	224
Total liabilities	<u>-</u>	<u>121,709</u>	<u>121,709</u>
Net assets:			
Net assets - scholarships	\$ 1,187	-	1,187
Net assets - nonexpendable	4,554	-	4,554
Total net assets	<u>5,741</u>	<u>-</u>	<u>5,741</u>
Total liabilities and net assets	<u>\$ 5,741</u>	<u>\$ 121,709</u>	<u>\$ 127,450</u>

*See accompanying notes.*

Gerrish-Higgins School District  
Roscommon, Michigan

Trust Funds  
Statement of Changes in Fiduciary Net Assets  
Year ended June 30, 2005

	<b>Net Assets June 30, 2004</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Net Assets June 30, 2005</b>
<b>Trust Funds</b>				
Jerry Murphy Scholarship Fund	\$ 4,445	\$ 708	\$ 1,900	\$ 3,253
Clyse Shaltz Memorial Fund	2,444	44	-	2,488
Totals	<u>\$ 6,889</u>	<u>\$ 752</u>	<u>\$ 1,900</u>	<u>\$ 5,741</u>

*See accompanying notes.*

Gerrish-Higgins School District  
Roscommon, Michigan

Notes to Financial Statements

June 30, 2005

**1. Summary of Significant Accounting Policies**

The financial statements of Gerrish-Higgins School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The District follows GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Some of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all the District's activities.
- A change in the fund financial statements to focus on the major funds.

These are reflected in the accompanying financial statements (including notes to financial statements).

**A. Reporting Entity**

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America, currently GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District's Board of Education and no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District nor is the District a component unit of another entity.

**B. Basic Financial Statements – Government-Wide Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.



Gerrish-Higgins School District  
Roscommon, Michigan

Notes to Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**B. Basic Financial Statements – Government-Wide Statements (continued)**

In the government-wide Statement of Net Assets, the Governmental Activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts: Invested in capital assets, net of related debt; Restricted for debt service; and Unrestricted. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general revenues (property taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues (charges for services, operating and capital grants). Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property, taxes, state and federal sources, interest income, etc.).

In creating the government-wide financial statements the District has eliminated inter-fund transactions.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**C. Basic Financial Statements – Fund Financial Statements**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

Gerrish-Higgins School District  
Roscommon, Michigan

Notes to Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**C. Basic Financial Statements – Fund Financial Statements (continued)**

Governmental Funds (continued):

- **General fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- **Debt service funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
- **Capital projects funds** are used to account for the receipt and disbursement of monies used for the acquisition of capital assets, including equipment. Principal resources of revenues are from bond proceeds, tax levies, interest and transfers from other funds. Unexpended revenues no longer needed for projects for which the bonds were originally approved generally should be transferred to a debt retirement fund.

Fiduciary Funds

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement.

- **Nonexpendable trust funds** are accounted for using the accrual method of accounting. Nonexpendable trust funds account for assets of which the principal may not be spent.
- **Agency funds** are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity (primarily student activities).

The District's fiduciary funds are presented in the fiduciary fund financial statements by type. Since, by definition, these assets are held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are not incorporated into the government-wide statements.

**D. Measurement Focus and Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Gerrish-Higgins School District  
Roscommon, Michigan

Notes to Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**D. Measurement Focus and Basis of Accounting (continued)**

Full Accrual

The governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

State Foundation Revenue

The State of Michigan has adopted a foundation grant approach that provides for a specific annual amount of revenue per student based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005, the foundation allowance was based on the weighted average of pupil membership counts taken in February and September of 2004.

The State portion of the foundation is provided primarily by a state education property tax millage of 6 mils and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes which may be levied at a rate of up to 18 mils. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2004 to August 2005. Thus, the unpaid portion at June 30, 2005 is reported as due from other governmental units. The local revenue is recognized as outlined under the caption "Property Taxes" in this note.

State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue.

Gerrish-Higgins School District  
Roscommon, Michigan

Notes to Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**D. Measurement Focus and Basis of Accounting (continued)**

Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**E. Assets, Liabilities and Equity**

Cash and Cash Equivalents

The District's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

Deposits and Investments

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District's intent is to hold the investment until maturity. These GASB statements also address common deposit and investment risks related to credit risk, concentration of credit risk, and foreign currency risk.

As an element of interest rate risk, the GASB statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified are also disclosed. The District had no investments at June 30, 2005 other than those listed in the cash and cash equivalents paragraph.

State statutes authorize the District to invest in bonds and direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Gerrish-Higgins School District  
Roscommon, Michigan

Notes to Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**E. Assets, Liabilities and Equity (continued)**

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Any other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	20 years
Buildings and improvements	20-50 years
Machinery and equipment	5-20 years
Vehicles and buses	8 years

Short-Term Inter-fund Receivables and Payables

During the course of operations, occasional transactions occur between individual funds. These receivables and payables are classified as “due from other funds” or “due to other funds” on the governmental fund balance sheet.

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is September 30, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School district property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mils</u>
General Fund - non-homestead properties	18.0000
Debt Retirement Fund - all properties	1.4300

Gerrish-Higgins School District  
Roscommon, Michigan

Notes to Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**E. Assets, Liabilities and Equity (continued)**

Inventory

Inventory in the Special Revenue Fund includes donated commodities received as federal financial assistance from the U.S. Department of Agriculture (USDA), which were on hand at year-end. The commodities are valued at USDA suggested values. Inventory for commodities is recorded as revenue when received and expenditures when utilized.

Compensated Absences

Accumulated vacation and sick pay amounts and associated employee-related costs are accrued when earned. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Unemployment Insurance

The District reimburses the Michigan Unemployment Agency (UA) for the actual amount of unemployment benefits disbursed by UA on behalf of the District. Billings received for amounts paid by UA through June 30 are accrued.

Deferred Revenue

The unexpended balance of various federal and/or state categorical grants and property taxes is carried forward as deferred revenue until the period in which eligible expenditures are incurred.

Fund Balance

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of net current assets does not constitute "available spendable resources."

Inter-fund Activity

Inter-fund activity is reported as either loans or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Gerrish-Higgins School District  
Roscommon, Michigan

Notes to Financial Statements (continued)

**1. Summary of Significant Accounting Policies (continued)**

**E. Assets, Liabilities and Equity (continued)**

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**F. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, and debt service funds. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to June 30, the Superintendent submits to the Board of Education a proposed operating budget by function for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them and is prepared on the basis of accounting used by the particular fund.
- b. A public hearing is held in June to obtain taxpayer comments.
- c. Prior to July 1, the budget is adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of the original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP basis) - general, special revenue and debt retirement funds.
- d. Any revisions that alter the total expenditures of any function must be approved by the Board of Education. During the year the District made minor budget amendments which were not material to the original appropriation.

Gerrish-Higgins School District  
Roscommon, Michigan

Notes to Financial Statements (continued)

**2. Cash and Cash Equivalents – Credit Risk**

At June 30, 2005, the District's deposits were reported in the financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Trust and Agency Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	<u>\$4,230,583</u>	<u>\$124,182</u>	<u>\$4,354,765</u>

At June 30, 2005, the book value of the District's deposits, consisting primarily of interest-bearing savings and checking accounts were \$4,354,765 and the bank balances were \$4,291,992. Of the bank balances, \$100,000 was covered by Federal depository insurance and \$4,191,992 was uninsured and uncollateralized; therefore, subjecting the District to custodian credit risk. Custodian credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned.

The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are in the opinion of the District subject to minimal risk.

**3. Capital Assets**

Governmental capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land, not depreciated	\$ 76,258	–	–	\$ 76,258
		–	–	
Land improvements	504,820	–	–	504,820
Buildings and improvements	14,817,670	\$ 17,542	–	14,835,212
Machinery and equipment	2,954,720	47,573	–	3,002,293
Vehicles and buses	1,268,673	117,852	\$ 90,000	1,296,525
Construction in progress	20,403	–	20,403	–
Subtotal	<u>19,642,544</u>	<u>182,967</u>	<u>110,403</u>	<u>19,715,108</u>
Accumulated depreciation:				
Land improvements	373,174	9,585	–	382,759
Buildings and improvements	4,434,847	234,674	–	4,669,521
Machinery and equipment	2,282,828	208,794	–	2,491,622
Vehicles and buses	837,936	104,129	90,000	852,065
Subtotal	<u>7,928,785</u>	<u>557,182</u>	<u>90,000</u>	<u>8,395,967</u>
Capital assets, net	<u>\$11,713,759</u>	<u>\$(374,215)</u>	<u>\$(20,403)</u>	<u>\$11,319,141</u>



Gerrish-Higgins School District  
Roscommon, Michigan

Notes to Financial Statements (continued)

**3. Capital Assets (continued)**

Depreciation expense was allocated to governmental activities as follows:

Instruction	\$154,568
Support Services	115,547
Food Service	6,174
Athletics	11,722
Community Services	35,475
Unallocated	233,696
Total governmental activities depreciation expense	<u>\$557,182</u>

**4. Long-Term Debt**

The District issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Other long-term obligations include amounts due to employees under contracts negotiated with the employee groups, for payment of unused sick leave and termination payments determined under formulas and conditions specified in contracts.

2005 Refunding Bonds. During the 2004-2005 year, the District received approval of a \$4,695,000 general obligation bond issue payable in installments for 12 years through 2017 for refinancing of the 1995 Bonded Debt. The 1995 Bonded Debt was originally a \$7,100,000 general obligation bond issue payable in installments for 22 years through 2017 for refinancing of the 1992 Bonded Debt.

Durant Limited Obligation Bonds. During the 1998-99 year, the District received approval of a limited obligation bond issue (Durant) payable in installments for 15 years through 2013 with interest of 4.76% for technology improvements.

The following is a summary of governmental long-term obligations of the District for the year ended June 30, 2005.

	<u>Severance Pay</u>	<u>Compensated Absences</u>	<u>Bonds</u>	<u>Total</u>
Balance – July 1, 2004	\$25,836	\$710,941	\$ 5,955,860	\$ 6,692,637
Additions	–	64,498	4,695,000	4,759,498
Bonds defeased	–	–	(4,005,000)	(4,005,000)
Retirements and payments	–	(8,326)	(1,850,000)	(1,858,326)
Balance – June 30, 2005	25,836	767,113	4,795,860	5,588,809
Less: current portion	25,836	15,881	327,642	369,359
Less: unamortized bond reacquisition costs	–	–	147,062	147,062
Total due after one year	<u>–</u>	<u>\$751,232</u>	<u>\$ 4,321,156</u>	<u>\$ 5,072,388</u>

Gerrish-Higgins School District  
Roscommon, Michigan

Notes to Financial Statements (continued)

**4. Long-Term Debt (continued)**

Bonds payable at June 30, 2005 is comprised of the following issues:

\$4,695,000 "2005 Refunding Bonds"; general obligation bonds due in annual installments of principal ranging from \$320,000 to \$400,000 plus accrued interest at rates ranging from 2.5% to 5.00% through May 1, 2017. \$4,695,000

\$157,874 Durant Non-Plaintiff limited obligation bonds due in annual installments of principal ranging from \$6,961 to \$16,182 plus accrued interest at 4.76% through May 15, 2013. 100,860

Total bonds payable \$4,795,860

The annual requirements to service the bonds outstanding to maturity, including both principal and interest, are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 327,642	\$ 205,828	\$ 533,470
2007	411,516	175,675	587,191
2008	408,387	153,200	561,587
2009	408,786	141,800	550,586
2010	409,204	130,382	539,586
2011-2015	2,030,325	447,433	2,477,758
2016-2017	800,000	60,000	860,000
Total	<u>\$4,795,860</u>	<u>\$1,314,318</u>	<u>\$6,110,178</u>

Refunded Bonds

In the current and prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2005, a total of \$5,855,000 of bonds outstanding are considered defeased.

The Debt Retirement Fund has \$93,073 available to service the general obligation bonds.

Interest expenditures for all long-term debt for the year ended June 30, 2005 total \$187,586.

Gerrish-Higgins School District  
Roscommon, Michigan

Notes to Financial Statements (continued)

**5. Inter-fund Balances and Transfers**

Inter-fund receivable and payable transactions between funds at June 30, 2005 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt retirement fund	General	\$ 161
Other nonmajor funds	General	7,033
Trust and agency fund	General	18
General	Debt Retirement Fund	213
General	Other nonmajor funds	3,360
General	Trust and Agency Fund	224
		<u>\$11,009</u>

The payable to the Debt Retirement Fund from the General Fund is for debt-related taxes collected by the General Fund and not remitted to the Debt Retirement Fund by June 30, 2005.

The payable to the other nonmajor funds from the General Fund represents State catering services provided to the various schools by the Hot Lunch program.

The payable to the Trust and Agency Fund from the General Fund represents checks payable to the Trust and Agency Fund that were returned as non-sufficient funds when deposited and were re-deposited by the General Fund.

The payable to the General Fund from the other nonmajor funds represents benefits paid by the General Fund on behalf of the other nonmajor funds.

The payable to the General Fund from the Trust and Agency Fund represents bills that were paid by the General Fund on behalf of the Trust and Agency Fund.

There were various inter-fund transfers during the year ended June 30, 2005 from the General Fund to the other nonmajor funds totaling \$270,932 to assist the Athletic Fund for current operational expenditures.

Gerrish-Higgins School District  
Roscommon, Michigan

Notes to Financial Statements (continued)

**6. Community Service – Public Library**

On June 8, 1987, the electorate of the District approved a proposition which specifically allows the levy of 2/10 of 1 mil for ten years, commencing with the 1988 tax levy (summer of 1988), for the purpose of providing additional operating funds to be used for public library services. The public library is operated by the District as a community service. In addition to the aforementioned funds, the District receives penal fines, collected through the Counties of Roscommon and Crawford, for public library operations. Beginning in the year ended June 30, 1989, the District has established a policy of reserving the portion of the general fund balance specifically identifiable as resulting from the operation of the public library.

The following is a summary of the revenues earned and expenditures incurred for the operation of the public library in accordance with the restrictions enumerated above:

	<b>June 30, 2005</b>	<b>Cumulative to date, as restated</b>
<b>Revenues</b>		
Current tax levy	–	\$ 553,699
Penal fines	<b>\$147,311</b>	1,858,459
Interest and other revenue	<b>25,913</b>	432,867
Total revenues	<b>173,224</b>	2,845,025
Less: expenditures	<b>214,604</b>	2,265,579
Excess (deficiency) of revenues over expenditures	<b><u>\$(41,380)</u></b>	<b><u>\$ 579,446</u></b>

**7. Excess of Expenditures over Appropriations in Budgetary Funds**

P.A. 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2005, the District incurred expenditures in excess of the amounts appropriated in the General Fund as follows:

<b>Fund</b>	<b>Budgeted</b>	<b>Actual</b>	<b>Variance</b>
General:			
Instructional:			
Basic programs	\$6,691,102	\$6,861,365	\$170,263
Supporting services:			
Instructional staff	396,236	400,700	4,464
School administration	916,574	\$918,176	1,602
Building improvement services	11,512	25,999	14,487

Gerrish-Higgins School District  
Roscommon, Michigan

Notes to Financial Statements (continued)

**8. Employee Retirement System – Defined Benefit Plan**

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work from January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1 on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2005 were 12.99% of payroll. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS were approximately \$1,213,000 in 2005, \$1,141,000 in 2004 and \$1,090,000 in 2003, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Post-Employment Benefits

Under the MPERS' Act, all retirees have the option of continuing health, dental and vision coverage. These benefits are not included in the pension benefit obligation referred to above.

Gerrish-Higgins School District  
Roscommon, Michigan

Notes to Financial Statements (continued)

**9. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District carries commercial insurance for risks to cover these losses. The District also continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

Gerrish-Higgins School District  
Roscommon, Michigan

General Fund  
Budgetary Comparison Schedule  
Year ended June 30, 2005

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget (Under)/Over</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Local sources	\$ 6,133,925	\$ 6,351,529	\$ 6,410,696	\$ 59,167
Intermediate sources	145,782	145,782	147,311	1,529
State sources	6,828,091	6,370,639	6,182,501	(188,138)
Federal sources	1,210,120	1,340,019	1,352,665	12,646
Total revenues	14,317,918	14,207,969	14,093,173	(114,796)
<b>Expenditures</b>				
Instructional:				
Basic programs	6,994,678	6,691,102	6,861,365	170,263
Added needs	2,406,688	2,480,742	2,169,437	(311,305)
Supporting services:				
Pupil services	562,352	513,753	501,350	(12,403)
Instructional staff	408,041	396,236	400,700	4,464
Supervision and direction of instructional staff	-	51,074	49,247	(1,827)
Technology assisted instruction	40,000	30,000	27,168	(2,832)
General administration	253,142	235,836	229,284	(6,552)
School administration	958,233	916,574	918,176	1,602
Supporting services business	263,459	284,365	278,745	(5,620)
Information management and services	82,646	72,632	72,021	(611)
Operations and maintenance	1,483,189	1,557,771	1,440,070	(117,701)
Pupil transportation services	865,445	791,759	784,148	(7,611)
Support services - central	3,000	7,300	7,171	(129)
Building improvement services	-	11,512	25,999	14,487
Community services	256,576	232,796	208,546	(24,250)
Total expenditures	14,577,449	14,273,452	13,973,427	(300,025)
Excess (deficiency) of revenues over expenditures	(259,531)	(65,483)	119,746	185,229
<b>Payments to other government and not-for-profit entities</b>				
Special Education transfer - COOR	313,850	300,334	300,334	-
At Risk transfer - Roscommon Co. and Richfield Twp	31,500	26,000	26,000	-
Total payments to other government and not-for-profit entities	345,350	326,334	326,334	-
Excess (deficiency) of revenues over expenditures	(604,881)	(391,817)	(206,588)	185,229

Gerrish-Higgins School District  
Roscommon, Michigan

General Fund  
Budgetary Comparison Schedule  
Year ended June 30, 2005

(continued)

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget (Under)/Over</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Other financing sources (uses)</b>				
Incoming transfer - other governmental units	\$ 36,097	\$ 146,164	\$ 146,164	-
Outgoing transfers - Athletics	(270,563)	(276,688)	(270,932)	\$ 5,756
Sale of assets	-	-	800	800
Total other financing sources (uses)	<u>(234,466)</u>	<u>(130,524)</u>	<u>(123,968)</u>	<u>6,556</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(839,347)	(522,341)	(330,556)	191,785
Fund balance at beginning of year	4,538,209	4,538,209	4,538,209	-
Fund balance at end of year	<u><u>\$ 3,698,862</u></u>	<u><u>\$ 4,015,868</u></u>	<u><u>\$ 4,207,653</u></u>	<u><u>\$ 191,785</u></u>



Gerrish-Higgins School District  
Roscommon, Michigan

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2005

	<b>Nonmajor Special Revenue Funds</b>			<b>Nonmajor Debt Retirement Fund</b>	<b>Nonmajor Capital Projects Fund</b>	<b>Nonmajor Governmental Funds</b>
	<b>Food Service</b>	<b>Athletics</b>	<b>Store</b>	<b>Durant Debt</b>	<b>Capital Projects Fund</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 70,295	\$ 37,789	-	-	\$ 1,289	\$ 109,373
Receivables:						
Accounts receivable	-	-	-	-	-	-
Due from other governmental units	61,209	-	-	-	-	61,209
Due from other funds	7,033	-	-	-	-	7,033
Prepaid expenditures	38,000	-	-	-	-	38,000
Inventory	4,278	-	-	-	-	4,278
Total assets	<u>\$ 180,815</u>	<u>\$ 37,789</u>	<u>-</u>	<u>-</u>	<u>\$ 1,289</u>	<u>\$ 219,893</u>
<b>Liabilities and fund balances</b>						
Liabilities:						
Accounts payable	\$ 12,631	\$ 440	-	-	-	\$ 13,071
Accrued salaries and benefits	47	3,215	-	-	-	3,262
Due to other funds	3,360	-	-	-	-	3,360
Total liabilities	16,038	3,655	-	-	-	19,693
Total fund balances	164,777	34,134	-	-	\$ 1,289	200,200
Total liabilities and fund balances	<u>\$ 180,815</u>	<u>\$ 37,789</u>	<u>-</u>	<u>-</u>	<u>\$ 1,289</u>	<u>\$ 219,893</u>

Gerrish-Higgins School District  
Roscommon, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year ended June 30, 2005

	<u>Nonmajor Special Revenue Funds</u>			<u>Nonmajor Debt Retirement Fund</u>	<u>Nonmajor Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Athletics</u>	<u>Store</u>	<u>Durant Debt</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Revenues</b>						
Local sources	\$284,060	\$ 65,091	-	-	\$ 21	\$ 349,172
State sources	71,856	-	-	-	-	71,856
Federal sources	433,359	-	-	-	-	433,359
Total revenues	<u>789,275</u>	<u>65,091</u>	<u>-</u>	<u>-</u>	<u>21</u>	<u>854,387</u>
<b>Expenditures</b>						
Food services	812,915	-	-	-	-	812,915
Athletics	-	309,138	-	-	-	309,138
Store	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	<u>812,915</u>	<u>309,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,122,053</u>
Excess (deficiency) of revenues over expenditures	(23,640)	(244,047)	-	-	21	(267,666)
Other financing sources	<u>-</u>	<u>270,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,932</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(23,640)	26,885	-	-	21	3,266
Fund balances at beginning of year	188,417	7,249	-	-	1,268	196,934
Fund balances at end of year	<u><u>\$164,777</u></u>	<u><u>\$ 34,134</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>\$1,289</u></u>	<u><u>\$ 200,200</u></u>

Gerrish-Higgins School District  
Roscommon, Michigan

General Fund  
Balance Sheets  
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Cash and cash equivalents	<b>\$4,028,085</b>	\$3,459,556
Receivables:		
Taxes	<b>44</b>	3,622
Interest receivable	<b>3</b>	223
Accounts receivable	<b>1,925</b>	2,264
Due from other governmental units	<b>1,670,444</b>	1,779,650
Due from internal funds	<b>224</b>	-
Due from other funds	<b>3,573</b>	5,035
Prepaid expenditures	<b>12,946</b>	4,793
Total assets	<b><u>\$5,717,244</u></b>	<b><u>\$5,255,143</u></b>
 <b>Liabilities and fund balance</b>		
Liabilities:		
Accounts payable	<b>\$ 96,269</b>	\$ 99,689
Salaries payable	<b>378,076</b>	77,309
Payroll liabilities	<b>83,094</b>	4,579
Payroll withholdings	<b>64,110</b>	-
Accrued retirement payable	<b>216,124</b>	8,056
Insurance payable	<b>226,766</b>	212,628
Deferred revenue	<b>314,102</b>	253,906
Due to other governmental units	<b>123,838</b>	56,648
Due to internal funds	<b>18</b>	-
Due to other funds	<b>7,194</b>	4,119
Total liabilities	<b><u>1,509,591</u></b>	<b><u>716,934</u></b>
 Fund balance:		
Reserved for public library	<b>579,446</b>	599,797
Reserve for encumbrances	<b>7,290</b>	43,182
Unreserved	<b>3,620,917</b>	3,895,230
Total fund balance	<b><u>4,207,653</u></b>	<b><u>4,538,209</u></b>
Total liabilities and fund balance	<b><u>\$5,717,244</u></b>	<b><u>\$5,255,143</u></b>

Gerrish-Higgins School District  
Roscommon, Michigan

General Fund  
Statements of Revenues, Expenditures, and Other Financing  
Sources (Uses) and Changes in Fund Balance  
Years ended June 30, 2005 and 2004

	<u>2005 Budget</u>	<u>2005</u>	<u>2004</u>
<b>Revenues from local sources</b>			
Current tax levy - for operations	\$ 6,227,004	\$ 6,227,004	\$ 5,722,612
Tax reverted land:			
For operations	-	4,422	3,065
Reserved for library	-	-	-
Total tax reverted land	-	4,422	3,065
Other local sources:			
Homestead denials	23,416	19,200	21,976
Delinquent taxes	12,285	13,137	17,418
Interest on delinquent taxes	34,867	34,849	27,109
Interest on investments	50,000	84,435	36,878
Miscellaneous revenue	3,957	27,649	15,978
Total other local sources	124,525	179,270	119,359
Total revenues from local sources	6,351,529	6,410,696	5,845,036
<b>Revenues from another non-educational entity or political sub-division</b>			
Funds for public library (penal fines)	145,782	147,311	145,782
<b>Revenues from state sources</b>			
State School Aid	5,307,579	5,317,243	6,257,751
At Risk	622,503	415,814	461,638
Special Education	309,839	309,839	340,850
Early Childhood Education	86,766	85,342	110,072
State Aid to Libraries	7,262	11,183	7,263
Vocational Education	10,379	17,115	11,820
Durant Proceeds	15,787	15,787	15,787
Drivers' Education	2,702	2,702	3,917
Math and Science Grant	-	-	2,622
Michigan Literacy Progress Profile	7,822	7,476	54,577
Other State Revenue	-	-	1,944
Total revenues from state sources	6,370,639	6,182,501	7,268,241

Gerrish-Higgins School District  
Roscommon, Michigan

General Fund  
Statements of Revenues, Expenditures, and Other Financing  
Sources (Uses) and Changes in Fund Balance  
Years ended June 30, 2005 and 2004  
(continued)

	<u>2005 Budget</u>	<u>2005</u>	<u>2004</u>
<b>Revenues from federal sources</b>			
E.C.I.A. Title I	\$ 643,029	\$ 601,402	\$ 700,746
Title I Supplemental Funds	-	-	6,000
Title II, Part A	167,499	166,648	152,502
Title II, Part B	19,068	17,734	15,430
Title V, Part D	24,536	18,791	39,546
Title VI, Rural & Low Income Grant	61,893	58,032	44,568
Special Education Flow Through Grant	374,728	384,179	268,041
Bankhead - Jones Farm Tenant Act	10,741	10,741	5,885
Goals 2000	-	-	521
Drug Free Schools Grant	4,420	4,420	5,187
Reading First Grant	-	6,171	8,633
Homeland Security Grant	-	4,274	-
Career Tech Prep Grant	-	-	1,000
Tech Prep Grant	5,066	6,434	4,882
School & Road Grants	-	24,229	2,384
Library LSTA Grant	-	-	51,107
21st Century	-	-	58,320
Transition Grant - Building Capacity	4,000	2,363	3,731
National Forest	25,039	47,247	36,363
Total revenues from federal sources	<u>1,340,019</u>	<u>1,352,665</u>	<u>1,404,846</u>
Total revenues	<u>14,207,969</u>	<u>14,093,173</u>	<u>14,663,905</u>
<b>Expenditures</b>			
Instructional	9,171,844	9,030,802	9,130,169
Supporting services	4,857,300	4,708,080	4,797,278
Building improvement services	11,512	25,999	-
Community services	232,796	208,546	234,536
Total expenditures	<u>14,273,452</u>	<u>13,973,427</u>	<u>14,161,983</u>
Excess (deficiency) of revenues over expenditures	(65,483)	119,746	501,922
<b>Payments to other government and not-for-profit entities</b>			
Special Education transfer - COOR	300,334	300,334	300,334
At Risk transfer - Roscommon Co. and Richfield Twp.	26,000	26,000	31,382
Total payments to other government and not-for-profit entities	<u>326,334</u>	<u>326,334</u>	<u>331,716</u>
Excess (deficiency) of revenues over expenditures and payments to other entities	(391,817)	(206,588)	170,206

Gerrish-Higgins School District  
Roscommon, Michigan

General Fund  
Statements of Revenues, Expenditures, and Other Financing  
Sources (Uses) and Changes in Fund Balance  
Years ended June 30, 2005 and 2004  
(continued)

	<b>2005 Budget</b>	<b>2005</b>	<b>2004</b>
<b>Other financing sources (uses)</b>			
Incoming transfer - other governmental units	\$ 146,164	\$ 146,164	\$ 77,299
Outgoing transfers - Athletics	(276,688)	(270,932)	(269,136)
Sale of assets	-	800	3,800
Total other financing sources (uses)	<u>(130,524)</u>	<u>(123,968)</u>	<u>(188,037)</u>
Excess (deficiency) of revenues and other financing sources over expenditures, payments to other entities and other financing uses	(522,341)	(330,556)	(17,831)
Fund balance at beginning of year	<u>4,538,209</u>	<u>4,538,209</u>	<u>4,556,040</u>
Fund balance at end of year	<u><u>\$ 4,015,868</u></u>	<u><u>\$ 4,207,653</u></u>	<u><u>\$ 4,538,209</u></u>

Gerrish-Higgins School District  
Roscommon, Michigan

General Fund  
Detail of Expenditures  
Years ended June 30, 2005 and 2004

<b>Instructional</b>	<b>2005 Budget</b>	<b>2005</b>	<b>As Restated 2004</b>
Basic programs:			
Elementary	\$ 2,222,340	\$ 2,322,890	\$ 2,547,492
Title II, Part A Elementary	167,499	166,648	150,215
Title V, Instructional Elementary	5,428	2,772	9,446
At Risk Instructional Elementary	-	54,656	50,628
Middle School	2,202,855	2,192,039	2,045,129
21st Century Grant - Middle School	-	-	57,225
Title V - Middle School	2,336	2,336	-
Title VI - Middle School	-	-	13,656
At Risk Instructional Middle School	-	49,666	69,737
High School	1,970,618	1,951,145	1,872,152
Title V - High School	2,266	2,266	-
Tech Prep - High School	-	1,368	587
Title VI - Rural & Low Income Grant - High School	31,512	30,581	28,217
Alternative Education	-	-	87,445
Pre-School	86,248	84,998	109,742
Total basic programs	6,691,102	6,861,365	7,041,671
Added needs:			
Special Education	1,468,754	1,429,065	1,300,663
Transition Grant, Building Capacity - Special Education	4,000	2,363	3,731
Title I	595,613	558,857	601,256
At Risk	341,422	110,871	108,264
Title II, Part B	-	-	2,247
Title VI	22,113	19,441	-
Vocational Education	48,840	48,840	72,337
Total added needs	2,480,742	2,169,437	2,088,498
Total instructional	9,171,844	9,030,802	9,130,169
<b>Supporting services</b>			
Pupil services:			
Counselors	257,606	324,054	298,590
Counselors - At Risk	251,081	171,573	200,488
Counselors - Career Prep	-	-	1,000
Counselors - Tech Prep	5,066	5,066	4,295
Title I - Pupil Support/Counselor	-	-	41,952
Health Services	-	657	-
Total pupil services	513,753	501,350	546,325
Instructional staff:			
Improvement of Instruction	-	-	1,660
Supervision and Direction of Instructional Staff	122,450	124,123	107,706
Library	200,000	198,051	183,862
Drug Free	4,420	4,420	5,187
Math and Science	-	-	2,622
Homeland Security	-	4,521	-

Gerrish-Higgins School District  
Roscommon, Michigan

General Fund  
Detail of Expenditures  
Years ended June 30, 2005 and 2004  
(continued)

	2005 Budget	2005	As Restated 2004
<b>Supporting services (continued)</b>			
Instructional staff (continued):			
Title I - Improvement of Instruction	\$ 31,229	\$ 30,226	\$ 40,590
Title I Supplemental Funds		-	6,000
Title II, Part A	-	-	2,287
Goals 2000	-	-	521
Michigan Literacy Progress Profile Grant	7,822	7,496	54,577
Reading First Grant	-	6,171	8,633
Title II, Part B	7,541	6,265	2,728
Title V	14,506	11,417	30,100
Title VI, Rural & Low Income Grant	8,268	8,010	2,695
Total instructional staff	<u>396,236</u>	<u>400,700</u>	<u>449,168</u>
Supervision and direction of instructional staff:			
Title I	9,887	6,821	5,576
Special Education	41,187	42,426	38,833
Total supervision and direction of instructional staff	<u>51,074</u>	<u>49,247</u>	<u>44,409</u>
Technology assisted instruction:			
Supplies	30,000	27,168	30,526
General administration:			
Board of Education	39,020	34,209	32,817
Superintendent Office	196,816	195,075	189,381
Total general administration	<u>235,836</u>	<u>229,284</u>	<u>222,198</u>
School administration:			
Office of the Principal	916,574	918,176	972,301
Supporting services business:			
Fiscal Services	153,000	147,883	152,954
Other Business Services	131,365	130,862	95,373
Building Acquisition and Renovation	-	-	
Total supporting services business	<u>284,365</u>	<u>278,745</u>	<u>248,327</u>
Information management and services:			
Information Management Services	61,105	60,552	61,033
Title II, Part B Information Management Services	11,527	11,469	10,455
Total information management and services	<u>72,632</u>	<u>72,021</u>	<u>71,488</u>
Operations and maintenance:			
Operating Building Services	1,549,653	1,434,928	1,403,053
Operating Buildings Services Public Library	8,118	5,142	-
Total operations and maintenance	<u>1,557,771</u>	<u>1,440,070</u>	<u>1,403,053</u>



Gerrish-Higgins School District  
Roscommon, Michigan

General Fund  
Detail of Expenditures  
Years ended June 30, 2005 and 2004  
(continued)

	2005 Budget	2005	As Restated 2004
<b>Supporting services (continued)</b>			
Pupil transportation services:			
Transportation Services	\$ 787,541	\$ 779,898	\$ 803,951
Transportation Services - At Risk	4,000	3,048	1,140
Transportation Services - Title I	-	984	903
Transportation Services - Preschool	218	218	-
Transportation Services - 21st Century	-	-	1,095
Total pupil transportation services	<u>791,759</u>	<u>784,148</u>	<u>807,089</u>
Support services - central:			
Transportation Training	7,300	7,171	2,394
Total supporting services	<u>4,857,300</u>	<u>4,708,080</u>	<u>4,797,278</u>
<b>Building improvement services</b>			
Operation and maintenance	8,457	20,443	-
Public Library improvements	3,055	5,556	-
Total building improvement services	<u>11,512</u>	<u>25,999</u>	<u>-</u>
<b>Community services</b>			
Public Library	226,196	203,906	223,737
Title I - Community Services	6,300	4,514	10,469
Preschool Program - Community Services	300	126	330
Total community services	<u>232,796</u>	<u>208,546</u>	<u>234,536</u>
<b>Payments to other government and not-for-profit entities</b>			
Special Education transfer - COOR	300,334	300,334	300,334
At Risk transfer - Roscommon Co. and Richfield Twp	26,000	26,000	31,382
Total payments to other government and not-for-profit entities	<u>326,334</u>	<u>326,334</u>	<u>331,716</u>
<b>Other financing uses</b>			
Outgoing transfers - Athletics	276,688	270,932	269,136
Total expenditures, payments to other entities and other financing uses	<u><u>\$ 14,876,474</u></u>	<u><u>\$ 14,570,693</u></u>	<u><u>\$ 14,762,835</u></u>

Gerrish-Higgins School District  
Roscommon, Michigan

Capital Projects Funds  
Combining Balance Sheets  
June 30, 2005  
(with comparative totals for June 30, 2004)

	<b>Capital Project</b>	<b>Durant Capital Project</b>	<b>Total (Memorandum Only)</b>	
			<b>2005</b>	<b>2004</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,289	-	\$ 1,289	\$ 1,268
<b>Fund balance</b>	\$ 1,289	-	\$ 1,289	\$ 1,268

Gerrish-Higgins School District  
Roscommon, Michigan

Capital Projects Funds  
Combining Statements of Revenues, Expenditures and Changes in Fund Balance  
Year ended June 30, 2005  
(with comparative totals for year ended June 30, 2004)

	<b>Capital Projects</b>	<b>Durant Capital Projects</b>	<b>Total (Memorandum Only)</b>	
			<b>2005</b>	<b>2004</b>
<b>Revenues</b>				
Local sources:				
Interest	\$ 21	-	\$ 21	\$ 8
<b>Expenditures</b>				
Capital outlay	-	-	-	-
Excess of revenues over expenditures	21	-	21	8
Fund balance at beginning of year	1,268	-	1,268	1,260
Fund balance at end of year	<u>\$ 1,289</u>	<u>-</u>	<u>\$ 1,289</u>	<u>\$ 1,268</u>

Gerrish-Higgins School District  
Roscommon, Michigan

Debt Retirement Funds  
Combining Balance Sheets

June 30, 2005

(with comparative totals for June 30, 2004)

	<b>2005</b>	<b>1995</b>	<b>Durant</b>	<b>Total</b>	
	<b>Issue</b>	<b>Issue</b>	<b>Debt</b>	<b>(Memorandum Only)</b>	
				<b>2005</b>	<b>2004</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 93,125	-	-	\$ 93,125	\$ 1,264,514
Taxes and interest receivable	-	-	-	-	142
Due from General Fund	161	-	-	161	1,022
Total assets	<u>\$ 93,286</u>	<u>-</u>	<u>-</u>	<u>\$ 93,286</u>	<u>\$ 1,265,678</u>
<b>Liabilities and fund balance</b>					
Liabilities:					
Due to General Fund	\$ 213	-	-	\$ 213	-
Fund balance	93,073	-	-	93,073	\$ 1,265,678
<b>Total liabilities and fund balance</b>	<u>\$ 93,286</u>	<u>-</u>	<u>-</u>	<u>\$ 93,286</u>	<u>\$ 1,265,678</u>

Gerrish-Higgins School District  
Roscommon, Michigan

Debt Retirement Funds  
Combining Statements of Revenues, Expenditures, and Other  
Financing Sources (Uses) and Changes in Fund Balances  
Year ended June 30, 2005  
(with comparative totals for the year ended June 30, 2004)

				<b>Total</b>	
	<b>2005</b>	<b>1995</b>	<b>Durant</b>	<b>(Memorandum Only)</b>	
<b>Revenues</b>	<b>Issue</b>	<b>Issue</b>	<b>Debt</b>	<b>2005</b>	<b>2004</b>
Local sources:					
Current tax levy	-	\$ 819,703	-	\$ 819,703	\$ 777,288
Delinquent taxes	-	2,626	-	2,626	1,471
Interest on delinquent taxes	-	4,528	-	4,528	3,811
Interest on investments	-	18,106	-	18,106	12,487
Miscellaneous	-	34	-	34	-
Total revenues from local sources	-	844,997	-	844,997	795,057
State sources	-	-	-	-	-
Total revenues	-	844,997	-	844,997	795,057
<b>Expenditures</b>					
Debt service:					
Principal repayment	\$1,315,000	535,000	-	1,850,000	515,000
Interest on debt	-	172,308	-	172,308	343,180
Paying agent fees	-	415	-	415	400
Total expenditures	1,315,000	707,723	-	2,022,723	858,580
<b>Other financing sources (uses)</b>					
Proceeds of refunding bonds	4,695,000	-	-	4,695,000	-
Proceeds of refunding bonds - premium	113,726	-	-	113,726	-
Transfer in from 1995 Debt	1,402,952	-	-	1,402,952	-
Advance refunding to escrow agent	(4,749,203)	-	-	(4,749,203)	-
Bond issuance costs	(54,402)	-	-	(54,402)	-
Transfer out to 2005 Debt	-	(1,402,952)	-	(1,402,952)	-
Total other financing sources (uses)	1,408,073	(1,402,952)	-	5,121	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	93,073	(1,265,678)	-	(1,172,605)	(63,523)
Fund balance at beginning of year	-	1,265,678	-	1,265,678	1,329,201
Fund balance at end of year	\$ 93,073	-	-	\$ 93,073	\$1,265,678

Gerrish-Higgins School District  
Roscommon, Michigan

Special Revenue Funds  
Combining Balance Sheets  
June 30, 2005  
(with comparative totals for June 30, 2004)

	<b>Food Service</b>	<b>Athletics</b>	<b>Store</b>	<b>Total (Memorandum Only)</b>	
				<b>2005</b>	<b>2004</b>
<b>Assets</b>					
Cash in bank - commercial account	\$ 70,295	\$ 37,789	-	\$ 108,084	\$ 154,983
Receivables:					
Due from General Fund	7,033	-	-	7,033	3,078
Due from other governmental units	61,209	-	-	61,209	72,229
Prepaid expenditures	38,000	-	-	38,000	39,000
Inventory	4,278	-	-	4,278	5,364
Total assets	<u>\$ 180,815</u>	<u>\$ 37,789</u>	<u>-</u>	<u>\$ 218,604</u>	<u>\$ 274,654</u>
<b>Liabilities and fund balances</b>					
Liabilities:					
Accounts payable	\$ 12,631	\$ 440	-	\$ 13,071	\$ 72,398
Accrued salaries and benefits	47	3,215	-	3,262	2,918
Due to General Fund	3,360	-	-	3,360	3,672
Total liabilities	<u>16,038</u>	<u>3,655</u>	<u>-</u>	<u>19,693</u>	<u>78,988</u>
Fund balances	<u>164,777</u>	<u>34,134</u>	<u>-</u>	<u>198,911</u>	<u>195,666</u>
Total liabilities and fund balances	<u>\$ 180,815</u>	<u>\$ 37,789</u>	<u>-</u>	<u>\$ 218,604</u>	<u>\$ 274,654</u>

Gerrish-Higgins School District  
Roscommon, Michigan

Special Revenue Funds  
Combining Statements of Revenues, Expenditures and Other Financing Sources  
and Changes in Fund Balances  
Year ended June 30, 2005  
(with comparative totals for year ended June 30, 2004)

					<b>Total</b>	
					<b>(Memorandum Only)</b>	
	<b>Budget</b>	<b>Food Service</b>	<b>Athletics</b>	<b>Store</b>	<b>2005</b>	<b>2004</b>
<b>Revenues</b>						
Sales of meals, milk and other revenue	\$ 239,900	\$ 283,720	-	-	\$ 283,720	\$ 279,174
State aid	72,250	71,856	-	-	71,856	69,146
Federal aid - claims	351,800	387,290	-	-	387,290	387,346
Federal aid - commodities	50,000	46,069	-	-	46,069	48,522
Interest income	400	340	\$ 139	-	479	380
Athletics	61,045	-	64,952	-	64,952	44,365
Stores	-	-	-	-	-	-
Total revenues	775,395	789,275	65,091	-	854,366	828,933
<b>Expenditures</b>						
Salaries and benefits	527,915	292,889	228,326	-	521,215	498,911
Food and milk	284,100	337,653	-	-	337,653	347,552
Contracted services	138,350	97,090	-	-	97,090	116,496
Supplies and other expenditures	178,195	74,726	76,111	-	150,837	123,584
Repairs	3,550	4,048	-	-	4,048	1,210
Capital outlay	4,000	6,509	4,701	-	11,210	21,004
Total expenditures	1,136,110	812,915	309,138	-	1,122,053	1,108,757
Excess (deficiency) of revenues over expenditures	(360,715)	(23,640)	(244,047)	-	(267,687)	(279,824)
<b>Other financing sources (uses)</b>						
Operating transfer to internal accounts		-	-	-	-	(1,015)
Operating transfer in from General Fund	276,688	-	270,932	-	270,932	269,136
Total other financing sources (uses)	276,688	-	270,932	-	270,932	268,121
Excess (deficiency) of revenue and other financing sources over expenditures and other uses	(84,027)	(23,640)	26,885	-	3,245	(11,703)
Fund balance at beginning of year	195,666	188,417	7,249	-	195,666	207,369
Fund balance at end of year	\$ 111,639	\$ 164,777	\$ 34,134	-	\$ 198,911	\$ 195,666

Gerrish-Higgins School District  
Roscommon, Michigan

Internal Accounts  
Statement of Cash Receipts and Disbursements  
Year ended June 30, 2005

	<b>Balance June 30, 2004</b>	<b>Cash Receipts</b>	<b>Cash Disbursements</b>	<b>Balance June 30, 2005</b>
Agency funds:				
Roscommon Elementary	\$ 29,118	\$ 40,101	\$ 39,075	\$ 30,144
St. Helen's Elementary	15,828	23,804	19,617	20,015
Roscommon Middle School	25,195	23,435	22,463	26,167
Roscommon High School	49,731	142,014	149,630	42,115
Administration Account	3,212	1,131	1,093	3,250
Total agency funds	<u>123,084</u>	<u>230,485</u>	<u>231,878</u>	<u>121,691</u>
Trust funds:				
Expendable	1,735	752	1,300	1,187
Non-expendable	5,154	-	600	4,554
Total trust funds	<u>6,889</u>	<u>752</u>	<u>1,900</u>	<u>5,741</u>
Total internal accounts	<u><u>\$129,973</u></u>	<u><u>\$231,237</u></u>	<u><u>\$233,778</u></u>	<u><u>\$127,432</u></u>



Gerrish-Higgins School District  
Roscommon, Michigan

History of Taxable Assessed Valuation

<b>Township</b>	<b>Taxable Value (Year of Tax Levy)</b>	
	<b>2004</b>	<b>2003</b>
	<b>(FYE 6-30-05)</b>	<b>(FYE 6-30-04)</b>
Au Sable	\$ 7,846,079	\$ 7,382,893
Gerrish	225,951,362	211,779,806
Higgins	49,551,590	45,650,051
Lyon	107,255,462	99,980,985
Richfield	97,866,506	91,983,420
South Branch	75,555,840	70,000,328
Beaver Creek	9,983,604	9,463,546
Total Taxable Valuation	<u>\$574,010,443</u>	<u>\$536,241,029</u>